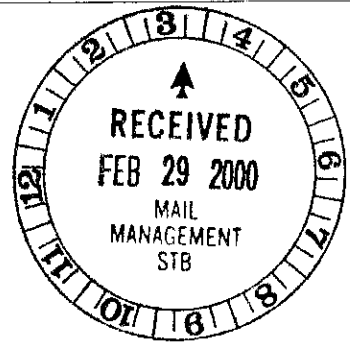


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Mr Vernon A. Williams, Secretary
Surface Transportation Board
Office Of The Secretary
Case Control Unit
Attn: STB Ex Parte No. 582
1925 K Street, NW
Washington, DC 20423-0001

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Office of the Secretary

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Part of
Public Record

Feb. 28, 2000

Written statement of Robert J. Zonar, Director, Global Logistics, USG Corporation

In the matter of STB Ex Parte No. 582

My name is Robert J. Zonar and I am Director, Global Logistics for USG Corporation. My duties include transportation responsibilities for the corporation. Along with other duties, I am responsible for assuring that the corporation has access to adequate rail transportation.

USG Corporation is a leading producer and distributor of building materials. We manufacture gypsum wallboard, plaster, plasterboard joint compound, ground gypsum, gypsum rock, gypsum board paper, ceiling tile, and ceiling suspension systems. We are headquartered in Chicago, IL, but our operations extend from East Coast to West Coast and from Canada to Mexico. We also have operations in Asia, Australia, and Europe.

We depend on rail transportation of inbound raw materials to support parts of our manufacturing effort and we rely on rail to support a portion of our outbound shipments of finished goods. Our domestic rail freight bill exceeds \$40,000,000 annually. We engage the services of all US Class 1 railroads and the two principal Canadian railroads.

Most of our rail business falls in the category of "Merchandise Freight". With only two exceptions, we do not tender large numbers of cars going from one origin to one destination.

USG has felt the positive and negative impact of all the recent merger activity. ATSF-BN, UP-CNW, UP-SP, CN-IC, and the Conrail Split between NS and CSXT have each touched us. Transit times, plant switching, equipment supply, communications and rates

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have all been affected. In the Conrail Split delays in transit have resulted in hundreds of thousands of dollars in freight penalties to USG.

We view the issue of mergers as mainly a free market driven activity. In a deregulated environment market forces will determine whether or not a merger is appropriate. We believe that the position of the Surface Transportation Board should be to assure that safe, adequate, and competitive rail transportation will emerge from any business combination and to place conditions on the merger which will lead to those assurances actually coming about.

One of our concerns is that adequate consideration be given to the operating characteristics of the business entity which is created by the merger. Will the new organization be able to function as a single unit? Will communications systems be truly integrated?

Issues such as appropriate space available and staffing in rail yards have proven to be weak points in prior mergers. In some mergers we have seen lack of yard capacity lead to bottlenecks which resulted in congestion and paralysis. We believe that the Surface Transportation Board needs to look hard at this issue and state without hesitation or doubt that cars will move freely between yards and in local service to their final destination. If that certainty does not exist, then conditions that will guarantee the free flow should be placed on the merger.

We have experienced a catastrophic failure of the Conrail Shared Access facilities in New Jersey. So far both NS and CSXT seem to be unable smooth out the flow of goods through this operation. Cars are held for days in local yards waiting to move. Service has been so bad that we have had to abandon reliance on rail freight. We cannot count on cars arriving as required, and so we are forced to ship by truck rather than rail. Our freight costs have increased and we have, at times, been forced to close the production line for lack of raw materials. Management time is wasted on coordinating logistical problems that were created by the Split. We wish to be protected from this consequence in future mergers.

Any merger approval needs to be preceded by guarantees that adequate labor agreements are in place to assure proper operation of the railroad. Going hand in hand with this, there should be candid statements on staffing continuity. Having the right number of people may not mean a lot if they lack the experience needed to make the railroad work safely and efficiently.

We believe that any merger partners should be required to guarantee that service over the new line will be at least as good as the service that existed prior to the merger. They should be held to that guarantee by means of "special damages" claims. Those claims should be allowed to continue until the service defects directly attributable to the merger have been corrected.

We believe that competition should not be diminished by a merger. A shipping facility should never have fewer rail options than it had before a merger. Remedies such as the "Two For One" provisions of the UP / SP merger should be granted.

The reduced number of rail options which we now have has resulted in some cases in the railroad company being able to decide which competing facility is able to cost effectively get to market with it's goods. This applies not only to rate structures but also to equipment supply and local service. The shipping public should be protected from any further erosion of choice. Some type of competitive access needs to be considered.

We believe that the Railroad Industry maintains a unique position in the business community. The service that they deliver can not be imported, if it proves to be inefficient or too costly. Alternate sources simply do not exist when it comes to moving large volumes over long distances. If rail service is inadequate, the whole nation suffers.

Respectfully submitted by:

Robert J. Zonar
Director, Global Logistics
USG Corporation
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A handwritten signature in black ink, appearing to read "Robert J. Zonar", with a stylized flourish at the end.

Robert J. Zonar

I request a waiver of the electronic submission requirement